

NEW HORIZONS, INC.
SHREVEPORT, LOUISIANA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/26/11

NEW HORIZONS. INC.
SHREVEPORT, LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

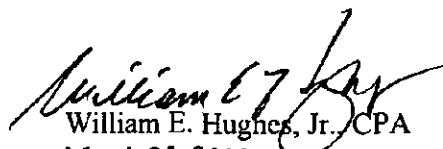
The Board of Directors
New Horizons, Inc.
Shreveport, LA.

I have audited the accompanying statement of financial position of New Horizons, Inc., (a nonprofit organization) as of September 30, 2010, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of New Horizons, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Horizons, Inc., as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 25, 2011, on my consideration of New Horizons, Inc.'s, internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.


William E. Hughes, Jr., CPA
March 25, 2011

AUDITED FINANCIAL STATEMENTS

NEW HORIZONS, INC.

**STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2010**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 573,960
Certificate of Deposit	52,735
Accounts Receivable	1,371
Contract and Grant Receivables	264,446
Prepaid Exp.	2,900
Total Current Assets	<u>\$ 895,412</u>

Property and Equipment:

Property and Equipment	102,434
Accumulated Depreciation	(49,130)
Net Property and Equipment	<u>53,304</u>

Total Assets	<u>\$ 948,716</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable - Trade	\$ 15,162
Accrued Expenses - Payroll	206,662
Accrued Expenses - Compensated Absences	17,192
Accounts Payable - State Dept. of Health and Hospitals	37,766
Total Current Liabilities	<u>276,782</u>

Net Assets:

Unrestricted:

Operating	671,934
Total Net Assets	<u>671,934</u>

Total Liabilities and Net Assets	<u>\$ 948,716</u>
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The accompanying notes are an integral part of the financial statements.

NEW HORIZONS, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Unrestricted</u>
<u>Revenues and Other Support:</u>	
Federal and State grants	\$ 642,479
Medicaid programs	2,752,166
Other program income	103,057
Donations	412
Gain (loss) on disposal of assets	(6,767)
Other Income	36,122
Interest income	<u>1,597</u>
Total Revenues and Other Support	<u>3,529,066</u>
 <u>Expenses:</u>	
Program Expenses	3,288,901
Supporting services:	
Management and general	<u>\$ 282,340</u>
Total Expenses	<u>3,571,241</u>
 <u>Change in Net Assets</u>	 (42,175)
 <u>Net Assets - Beginning of Year</u>	 <u>774,875</u>
 <u>Other Changes in Net Assets</u>	
Prior Period Adjustment	<u>(60,766)</u>
Total Other Changes in Net Assets	<u>(60,766)</u>
 <u>Net Assets - End of Year</u>	 <u>\$ 671,934</u>

The accompanying notes are an integral part of the financial statements.

NEW HORIZONS, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Cash Flows from Operating Activities:

Increase (Decrease) in Net Assets	\$ (42,175)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	29,056
Loss on disposal of property and equipment	6,767
(Increase) decrease in operating assets:	
Accounts receivables	(1,371)
Grant receivables	(68,817)
Prepaid Expenses	4,167
Increase (decrease) in operating liabilities	
Accounts payable - Trade	6,659
Accounts Payable - State Dept. of Health and Hospitals	37,766
Accrued Expenses - Payroll	14,474
Accrued Expenses - Compensated Absences	1,001
Net Cash provided (used) by operating activities	<u>(12,473)</u>

Cash Flows from Investing Activities:

Purchase of short-term investment	(706)
Purchase of property and equipment	<u>-</u>
Net cash used in investing activities	(706)

Cash Flows from Financing Activities

-

Cash Flows from Other Activities:

Prior Period Adjustment	(60,766)
Net cash provided (used) by other activities	<u>(60,766)</u>

Net increase (decrease) in cash (73,945)

Cash at Beginning of Year 647,905

Cash at End of Year \$ 573,960

Required Supplementary Information:

Interest Paid During the Year	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of the financial statements.

NEW HORIZONS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Expenses	<u>Program Services</u>	<u>Supporting Services, Management & General</u>	<u>Total</u>
Salaries and Wages	2,507,913.00	\$ 170,984	\$ 2,678,897
Payroll Taxes	218,159.00	14,961	233,120
Employee Benefits	85,008.00	5,813	90,821
Insurance	79,123.00	10,220	89,343
Equipment purchases - Consumer	11,533.00	-	11,533
Services/Supplies - Consumer	70,118.00	-	70,118
Supplies - Office	10,437.00	8,054	18,491
Training	8,538.00	949	9,487
Travel	48,436.00	2,549	50,985
Dues and Subscriptions	(710.00)	6,523	5,813
Contracted Services	73,439.00	-	73,439
Legal Fees	-	705	705
Rent	85,048.00	21,262	106,310
Postage	-	7,526	7,526
Repairs and Maintenance	12,258.74	280	12,539
Public Awareness	18,705.00	19,271	37,976
Telephone	19,595.00	3,458	23,053
Utilities	14,794.00	3,698	18,492
Miscellaneous	58.00	3,479	3,537
Depreciation	26,448.00	2,608	29,056
Total Expenses	\$ 3,288,901	\$ 282,340	\$ 3,571,241

The accompanying notes are an integral part of the financial statements.

NEW HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

I. Summary of Significant Accounting Policies

A. Nature of Activities

New Horizons, Inc. (New Horizons), is a nonprofit corporation under the laws of the State of Louisiana. New Horizons was established to provide an opportunity for severely handicapped persons to participate in a broad activities program, including community activities, recreation, and other services, to make possible a broader life enrichment program for handicapped persons. The following programs are administered by New Horizons, shown with their approximate percentages of total revenue:

Medicaid — 78 %
Title VII Part C — 18%
Program and Other Income — 4%

B. Basis of Accounting

The financial statements of New Horizons have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. New Horizons had only unrestricted net assets at September 30, 2010.

NEW HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

1. Summary of Significant Accounting Policies (Continued)

D. Income Tax Status

New Horizons, Inc., is a tax-exempt organization as described in Section 501(c) (3) of the Internal Revenue Code and is classified by the Internal Revenue Services as an organization other than a private foundation. New Horizons, therefore, is not subject to income taxes and, therefore, no provision for income taxes was made in the accompanying financial statements.

The Organization follows the provisions of the Accounting for Uncertainty in Income Taxes Topic of the FASB ASC. All tax returns have been appropriately filed by the Organization. The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Organization had no tax interest and penalties for the year ended September 30, 2010.

The Organization's tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2007 through 2009. Management evaluated the Organization's tax position and concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

For purposes of reporting cash flows, New Horizons considers all highly liquid investments in money market funds, operating bank accounts and investments available for current use with initial maturity of three months or less to be cash equivalents.

G. Investments and Fair Value Measurements

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority.

NEW HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

- Level 2 uses observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 inputs have the lowest priority. Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing methods, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The certificate of deposit recorded in the accompanying financial statements has a balance of \$52,735. The certificate bears interest of .95% with a six-month maturity date of December 13, 2010. The Level 2 input used for the certificates of deposit was cost, which approximates fair value.

H. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The State of Louisiana and the federal government have a reversionary interest in property purchased with state and federal funds. Its disposition as well as the ownership of any proceeds therefrom is subject to state and federal regulations. All expenditures in excess of \$250 for property and equipment are capitalized.

I. Revenue and Support

Contributions received may be recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Federal and State contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of

NEW HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

Activities as net assets released from restrictions.

J. Retirement Obligations

The employees of New Horizons are members of the Social Security System. There are no other retirement plans available through New Horizons.

K. Compensated Absences

Annual leave is earned by employees as follows:

<u>Length of Service</u>	<u>Annual Leave Earned</u>
One year	One week
Over one year	Two weeks

Generally, up to four weeks of unused annual leave may be carried over to succeeding fiscal years.

Sick leave is earned at the rate of one day per calendar month of employment, and accumulates up to twelve days. Employees are not compensated for unused sick leave at termination.

L. Advertising

New Horizon's, Inc. expenses advertising costs as incurred. Advertising expense for the year ended September 30, 2010 was \$37,976.

M. Contributions

New Horizons, Inc., has adopted FASB ASC 958-205, "Not For Profit Entities-Revenue Recognition." In accordance with FASB ASC 958-205, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under ASC 958-55, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the related time restrictions or the funds are expended in accordance with the donor's intention. The Organization has elected to recognize temporarily restricted contributions which are released from the restrictions in the same year as unrestricted contributions.

NEW HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

2. Concentrations of Credit Risk

Financial instruments that potentially subject New Horizons to concentrations of credit risk consist principally of temporary cash investments and grant receivables.

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of September 30, 2010, New Horizons had no significant concentrations of credit risk in relation to grant receivables.

New Horizons maintains cash balances at one financial institution which, at times, may exceed the federally insured deposit limits. At September 30, 2010, New Horizons had \$ 583,925 on deposit at this bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Management monitors the financial condition of the institution on a regular basis, along with their balances in cash and cash equivalents, to minimize this potential risk.

3. Contract and Grant Receivable

Various funding sources provide reimbursement of allowable costs and payment on units of service in connection with providing services under contracts or grant agreements. This balance represents amounts due from funding sources at September 30, 2010, but received after those dates. The following list indicates those funds due by funding source:

Medicaid	\$ 161,736
Title VII Part C	67,793
Private Care Assistance	<u>34,917</u>
Total Contract and Grant Receivable	<u>\$ 264,446</u>

4. Property and Equipment

Property and equipment consisted of the following at September 30, 2010:

	Estimated Depreciable <u>Life</u>	
Furniture and equipment	5 - 7 years	\$36,392
Vehicles	3 - 5 years	66,042
Accumulated depreciation		<u>(49,130)</u>
Net investment in property and equipment		<u>\$53,304</u>

Depreciation expense for the year ended September 30, 2010 was \$29,056.

NEW HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

5. Federal, State and Medicaid Contractual Revenue

During the years ended September 30, 2010, New Horizons received \$3,394,645 in revenue from Federal, state and Medicaid contracts and grants. The continued existence of these funds is based on annual contract renewals with various funding sources. All revenue from these grants is subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries; adjustments in future periods may be necessary as final grant settlements are determined.

6. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

7. Leases

New Horizons, Inc., leases office space under several operating leases. Rental costs on those leases for the years ended September 30, 2010, was \$91,450. Commitments under lease agreements having initial or remaining non-cancelable terms in excess of one year as of September 30, 2010, are as follows:

<u>Years Ending September 30</u>	
2011	\$ 80,200
2012	62,600
2013	50,000
2014	41,667
Total	<u>\$ 234,467</u>

8. Line of Credit

The Organization maintains a credit line for up to \$50,000. There was no outstanding balance on this line of credit at September 30, 2010.

9. Economic Dependency

New Horizons receives the majority of its revenue from funds provided by state and federal grants as well as through a contract for patient care services provided to Medicaid eligible individuals. If significant budget cuts are made at the federal and/or state level or the Medicaid contract is not renewed, the amount of funds New Horizons receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Center will receive in the next fiscal year.

NEW HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

10. Prior Period Adjustment

A review by New Horizon's management and Medicaid's third-party administrator revealed an error in recording prior period accounts receivable for Medicaid revenues. Accounts receivable claims recorded in fiscal year ending September 30, 2009, that had the incorrect service dates were \$60,766. This error resulted in fiscal year-ending September 30, 2009, unrestricted net assets to be overstated and assets to be overstated by the same amount. A prior year adjustment of \$60,766 was recorded.

11. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 25, 2010, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**GOVERNMENT AUDITING STANDARDS
COMPLIANCE REPORTS**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Board of Directors of
New Horizons, Inc.

I have audited the financial statements of New Horizons, Inc., (a nonprofit organization) as of and for the year ended September 30, 2010, and have issued my report thereon dated March 25, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered New Horizons, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the New Horizons, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

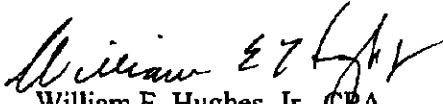
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Horizons, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, the Legislative Auditor's office of the State of Louisiana, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is in fact a public document.



William E. Hughes, Jr., CPA

Pineville, LA

March 25, 2011

NEW HORIZONS, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

Material weakness(es) identified:

___ Yes ☒ No

Significant deficiency(ies) identified

not considered to be material weaknesses?

___ Yes ☒ No

Noncompliance material to the financial statements noted?

___ Yes ☒ No

Federal Awards

New Horizon's, Inc., did not expend in excess of \$500,000 in federal financial assistance during the year ended September 30, 2010 and therefore, is exempt from the audit requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None